



Patrick W. Henning, Director  
November 12, 2008  
22M:344:mdh:8123:8124



Arnold Schwarzenegger  
Governor

Mr. Adam Peck, Administrator  
Tulare County Workforce Investment Board, Inc.  
4025 West Noble Avenue, Suite A  
Visalia, CA 93277

Dear Mr. Peck:

WORKFORCE INVESTMENT ACT  
FISCAL AND PROCUREMENT REVIEW  
FINAL MONITORING REPORT  
PROGRAM YEAR 2007-08

This is to inform you of the results of our review for Program Year (PY) 2007-08 of the Tulare County Workforce Investment Board's (TCWIB) Workforce Investment Act (WIA) grant financial management and procurement systems. This review was conducted by Ms. Mechelle Hayes and Mr. TG Akins from April 14, 2008 through April 18, 2008. For the fiscal portion of the review, we focused on the following areas: fiscal policies and procedures, accounting system, reporting, program income, expenditures, internal control, allowable costs, cash management, cost allocation, indirect costs, fiscal monitoring of subrecipients, single audit and audit resolution policies and procedures for its subrecipients and written internal management procedures. For the procurement portion of the review, we examined procurement policies and procedures, methods of procurement, procurement competition and selection of service providers, cost and price analyses, and contract terms and agreements and property management.

Our review was conducted under the authority of Section 667.410(b)(1), (2) & (3) of Title 20 of the Code of Federal Regulations (20 CFR). The purpose of this review was to determine the level of compliance by TCWIB with applicable federal and state laws, regulations, policies, and directives related to the WIA grant regarding financial management and procurement for PY 2007-08.

We collected the information for this report through interviews with representatives of TCWIB, a review of applicable policies and procedures, and a review of documentation retained by TCWIB for a sample of expenditures and procurements for PY 2007-08.

We received your response to our draft report on September 26, 2008, and reviewed your comments and documentation before finalizing this report. Because your

response adequately addressed the finding 3 cited in the draft report, no further action is required and we consider the issue resolved. However, TCWIB's response did not adequately address findings 1, 2, or 4-9 cited in the draft report and we consider these findings unresolved. We request that TCWIB provide the Compliance Review Division (CRD) with additional information and/or a corrective action plan (CAP) to resolve the issues that led to the findings. Therefore, these findings remain open and have been assigned Corrective Action Tracking System (CATS) numbers 80174, 80175, and 80177-82.

### **BACKGROUND**

The TCWIB was awarded WIA funds to administer a comprehensive workforce investment system by way of streamlining services through the One-Stop delivery system. For PY 2007-08, TCWIB was allocated: \$2,708,794 to serve 1,248 adult participants; \$2,984,944 to serve 1,814 youth participants; and \$1,994,774 to serve 623 dislocated worker participants.

For the quarter ending December 31, 2007, TCWIB reported the following expenditures and enrollments for its WIA programs: \$1,594,871 to serve 985 adult participants; \$1,203,355 to serve 1,267 youth participants; and \$541,881 to serve 324 dislocated worker participants.

### **FISCAL REVIEW RESULTS**

While we concluded that, overall, TCWIB is meeting applicable WIA requirements concerning financial management, we noted instances of noncompliance in the following areas: financial reporting, cash management, subrecipient monitoring, payroll allocation, expense payment documentation, and audit resolution. The findings that we identified in these areas, our recommendations, and TCWIB's proposed resolution of the findings are specified below.

### **FINDING 1**

**Requirement:** 29 CFR Section 97.20(a)(2) states, in part, that fiscal control and accounting procedures of subgrantees must be sufficient to permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions.

20 CFR Section 97.20(b)(1) states, in part, that accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant.

29 CFR Subpart C, Section 97.20(b)(6) states, in part, that accounting records must be supported by such source documentation as cancelled checks, paid bills, payroll, time and attendance records, contract and subgrant award documents, etc.

20 CFR Section 667.300(b)(1) states, in part, that a State may impose different forms or formats, shorter due dates, and more frequent reporting requirements on subrecipients.

20 CFR 667.200(a)(7) states, in part, that interest income earned on funds received under WIA must be included as program income.

20 CFR Section 667.300(c)(3) states, in part, that reported expenditures must be on the accrual basis of accounting.

WIA Directive WIAD06-4 states, in part, that all WIA grant recipients are required to report expenditures on an accrual basis and must submit quarterly expenditure reports that include program income. Quarterly expenditures (including accruals) and obligations must be reported on a cumulative basis and a separate expenditure report must be filed for each line item or grant code. Additionally, accrued expenditures and cash expenditures must be reported separately in quarterly reports.

Additionally, WIAD06-4 states, in part, that the accrual basis of accounting means an accounting basis wherein revenues and expenses are recorded in the period in which they are earned or incurred regardless of whether cash is received or disbursed in that period. If the subgrantee records are not normally kept on the accrual basis of accounting, then the subgrantee must develop accrual information through analysis of documentation on hand. Accrued expenditures are the charges incurred and recorded, but not yet paid for, during a report period requiring the provision of funds by the grantee or subgrantee for (1) goods and other tangible property received, (2) services performed by employees, contractors, subgrantees, subcontractors, and other payees, and (3) other amounts becoming owed under programs for which no current services or performance is required, such as annuities, insurance claims, and other benefit payments.

**Observation:**

We reviewed TCWIB's December 2007 adult quarterly reports and found that TCWIB was unable to adequately trace internal records to the amounts reported on the Job Training Automation (JTA) reports. The TCWIB staff identified an \$86,507 difference in total expenditures between the internal documents and the JTA reports. The TCWIB staff stated that the difference was likely the result of a formula error in one of the spreadsheets used to complete the quarterly reports.

A similar issue was identified in PY 2006/07.

Additionally, TCWIB does not consistently report accruals or maintain documentation to support the accruals that are reported. We found that TCWIB did not report:

- Program or administrative accruals for the adult program for the September or December 2007 quarterly reports.
- Program or administrative accruals for the dislocated worker program for the December 2007 quarterly report.
- Administrative accruals for youth program in the September or December quarterly reports.

Subsequent to the review, TCWIB did report administrative and program accruals for the adult, dislocated worker, and youth programs in the March 2008 quarterly report.

Also, we found that TCWIB is not consistently reporting program income quarterly; TCWIB's program income consists of interest income from its WIA account. For example, TCWIB reported the following program income for its youth program: \$8,171 for the June 2007 quarterly report; no additional program income for the September 2007 or December 2007 quarterly reports; and \$1,475 for the March 2008 quarterly report. Additionally, TCWIB was unable to explain why the amount of program income demonstrated significant variance from one quarter to the next. For example, we found that TCWIB reported the following program income for its dislocated worker program: \$3,592 for June 2007, \$6,592 for September 2007, \$30 for December 2007, and \$1,655 for March 2008.

Finally, TCWIB's subrecipients are not reporting accruals or program income. Also, the subrecipient monthly invoice does not contain a line to report accruals (separate from cash

expenditures) or program income. Without a method for TCWIB's subrecipients to report program income, TCWIB will not be aware if their subrecipients are generating program income or ensure that the program income is used appropriately.

**Recommendation:** We recommended that TCWIB provide the Compliance Review Division (CRD) with a corrective action plan (CAP), including a timeline, to ensure that, in the future, TCWIB (1) maintains adequate documentation to trace internal documents to its JTA quarterly reports; (2) develops a method for consistently tracking and reporting administrative and program accruals for all WIA programs; (3) develops a method for consistently reporting program income quarterly; and (4) revises its subrecipient monthly invoices to include line items to report accruals (separate from cash expenditures) and program income. In addition, we recommended that review the spreadsheets used to complete the expenditure reports, ensure that all spreadsheet formulas are accurate, and provide CRD the results of the review.

**TCWIB Response:** The TCWIB stated they will take the following actions for each recommendation above:

- (1) Maintain adequate documentation to trace internal documents to its JTA reports. The TCWIB reorganized its reporting process. Currently, monthly expenses are downloaded directly from the auditor's office; these expenses are gathered from the County's Advantage Financial (AFIN) system. These expenditures are "spread" using (where applicable) time studies and direct expenditures.
- (2) Develop a method for consistently tracking and reporting administrative and program accruals for all WIA programs. The TCWIB revised its Fiscal processes to facilitate the reporting of administrative and program accrual expenses. Specifically, TCWIB revised its subrecipient invoice to include line items to report accrued expenditures. The TCWIB provided a copy of the revised invoice.
- (3) Develop a method for consistently reporting program income quarterly. The TCWIB stated that, historically, its only program income is interest allocated to TCWIB from Tulare County twice a year. Upon its allocation to TCWIB's revenue line, the amount of interest will be deducted from the next cash draw down. It will also be reported in the quarterly report

(on a cumulative basis). Other program income will be reported within the month/quarter it is received.

- (4) Revise its subrecipient monthly invoices to include line items to report accruals (separate from cash expenditures) and program income. The TCWIB modified its WIA invoice in order to reflect accruals and program income. This invoice was implemented in September 2008 and technical assistance sessions were held for service provider fiscal staff to discuss the changes and expectations of reporting. A copy of the new invoice was provided to CRD.

**State Conclusion:** The TCWIB's response adequately addresses points 3 and 4 above, but did adequately address points 1 and 2.

Therefore, we recommend that TCWIB:

- (1) Provide CRD details of how TCWIB's new reporting process will work including (as applicable) copies of reports/documents used to complete the JTA report,
- (2) Provide CRD with a CAP to track and report its own accruals, and
- (3) Review the spreadsheets used to complete the expenditure reports, ensure that all spreadsheet formulas are accurate, and provide CRD the results of the review.

Until then, this finding remains open and has been assigned CATS number 80174.

## **FINDING 2**

**Requirement:**

29 CFR Section 97.20(a)(2) states, in part, that fiscal control and accounting procedures of subgrantees must be sufficient to permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of restrictions and prohibitions.

29 CFR Subpart C, Section 97.20(b)(6) states, in part, that accounting records must be supported by such source documentation as cancelled checks, paid bills, payroll, time and attendance records, contract and subgrant award documents, etc.

WIAD04-14 states, in part, that all subrecipients must monitor their cash draws to ensure their account does not reflect an

"excess cash" balance. Excess cash is defined as any amount which has not been shown as disbursed within three or four working days.

WIAD01-6 states, in part, that the cash-on-hand from program income must be liquidated before requesting additional cash.

**Observation:**

We reviewed five cash draw downs and found that cash draw downs were not adequately documented. Specifically, we were unable to:

- Trace the funds requested to expenditures;
- Ensure that the amount requested did not result in excess cash; or
- Ensure that program income was expended prior to requesting additional funds.

The TCWIB staff stated that cash draw downs are based on three sources of information: (1) a report from its Advantage Financial (AFIN) system (to demonstrate expenditures); (2) forecasted payroll; and (3) forecasted "other" that includes contract payments and invoices.

Three of the five draw downs did not include any documentation of the three sources of information described above. The other two draw downs included an AFIN print-out, but the other sources of information were documented solely by a hand-written number. None of the available documents provided enough information to explain the basis of how the amounts or the source (adult, dislocated worker, youth etc.) was determined. Additionally, we were unable to determine if program income was expended prior to requesting additional funds or if the draw downs resulted in excess cash.

Similar observations were identified in PY 2006-07.

**Recommendation:**

We recommended that TCWIB provide CRD with a CAP, including a timeline, to ensure that cash draw downs are adequately documented to demonstrate: (1) traceability to the funds requested (i.e. \$100,000 adult fund draw down is traceable to \$100,000 in adult expenditures); (2) that the amount requested does not result in excess cash; and (3) that program income is expended prior to the request for additional funds.

**TCWIB Response:** The TCWIB stated that in order to ensure that cash drawdowns are adequately documented to demonstrate traceability to the funds requested it designed a report that will be implemented.

Regarding excess cash, TCWIB states that it provided technical assistance and counseling to its subrecipient and that processes have been implemented to ensure that "advance" requests from any service provider are scrutinized for excess cash.

**State Conclusion:** Based on TCWIB's response, we cannot resolve this issue at this time. The TCWIB did not provide a copy of the cash drawdown document to be implemented and did not provide any details on the processes to ensure that advance requests from service providers are scrutinized for excess cash.

We recommend that TCWIB provide CRD with a copy of the newly designed cash drawdown document and documentation that describes how the new cash drawdown document will ensure (1) traceability to the funds requested (i.e. \$100,000 adult fund draw down is traceable to \$100,000 in adult expenditures); (2) that the amount requested does not result in excess cash; and (3) that program income is expended prior to the request for additional funds. Until then, this issue remains open and has been assigned CATS number 80175.

### **FINDING 3**

**Requirement:** 20 CFR Section 667.410(a) states, in part, that each recipient and subrecipient must conduct regular oversight and monitoring of its WIA activities and those of its subrecipients and contractors.

WIAD00-7 states, in part, that the monitoring of subrecipients follow a standardized review methodology that will result in written reports which record findings, any needed corrective actions, and due dates for the accomplishment of corrective actions. Additionally, the monitoring of subrecipients require systematic follow-up to ensure that necessary corrective action has been taken.

**Observation:** The TCWIB PY 2006-07 draft monitoring report to its subrecipient, Tulare County Office of Education (TCOE), was issued on September 27, 2007 with a response due 15 working



days after receipt of the draft. As of April 18, 2008, TCWIB had not received a response from TCOE nor had TCWIB issued a final monitoring report.

**Recommendation:** We recommended that TCWIB issue the final monitoring report and ensure that corrective action has been taken. Once completed, we recommended that TCWIB provide CRD with a copy of the final monitoring report and the follow-up activities with TCOE.

**TCWIB Response:** The TCWIB provided a copy of the final monitoring report issued to TCOE on August 25, 2008. The final monitoring report states that TCOE has taken appropriate corrective action.

**State Conclusion:** We consider this finding resolved.

#### **FINDING 4**

**Requirement:** OMB Circular A-87, Attachment A (C)(3)(a) states, in part, that a cost is allocable to a particular cost objective if the goods and services involved are chargeable or assignable to such cost objective in accordance with relative benefits received.

**Observation:** While reviewing the timesheets for two employees, we found that both of these employees had charged some of their hours (10 hours each) to a non-WIA grant on their timesheet. However, the payroll register demonstrated that these non-WIA hours were charged to the WIA program.

**Recommendation:** We recommended that TCWIB provide CRD documentation that shows that the non-WIA hours were reversed.

**TCWIB Response:** The TCWIB stated that it adjusted the two employees' hours and that the change is reflected in the June 30, 2008 quarterly report.

**State Conclusion:** Based on TCWIB's response, we cannot resolve this issue at this time. Although TCWIB stated that it adjusted the employees' hours, TCWIB did not provide documentation demonstrating this action. We, again, recommend that TCWIB provide CRD documentation that shows that the non-WIA hours were reversed. Until then, this finding remains open and is assigned CATS number 80177.

**FINDING 5****Requirement:**

20 CFR Section 97.20(b)(1) states, in part, that accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant.

20 CFR Section 667.300(b)(1) states, in part, that a State may impose different forms or formats, shorter due dates, and more frequent reporting requirements on subrecipients.

WIAD06-4 states, in part, that all WIA grant recipients are required to report expenditures on an accrual basis and must submit quarterly expenditure reports. Quarterly expenditures (including accruals) and obligations must be reported on a cumulative basis and a separate expenditure report must be filed for each line item or grant code. Additionally, accrued expenditures and cash expenditures must be reported separately in quarterly reports. Finally, all subrecipients are required to report expenditure amounts identified for lines 1 (core self services), 2 (core registered services), 3 (intensive services), 4A (training payments), 4B (other training services) and 5 (other) of Section V Cumulative Expenditures (Program).

**Observation:**

We reviewed the contract payments for two of TCWIB's subrecipients, Community Services & Employment Training (CSET) and Proteus, whose contracts (beginning July 1, 2006) describe as providing core, intensive and training services, and found the following:

- CSET – all dislocated worker expenses were reported on the training line; a total of \$618,036.
- Proteus – all adult general population expenses were reported on the training line; a total of \$480,110.
- Proteus – all dislocated worker expenses were reported on the core registered line; a total of \$245,564.

**Recommendation:**

We recommended that TCWIB re-allocate CSET and Proteus expenditures to reflect the activities performed (including core, intensive, and training), update its Job Training Automation (JTA) reports, and provide CRD documentation of its actions.

Additionally, we recommended that TCWIB provide CRD with a CAP, including a timeline, to ensure that TCWIB's subrecipients

track and report program costs based on actual expenditures in each identified category (core, intensive, and training).

**TCWIB Response:** The TCWIB stated that it re-allocated expenditures to reflect activities performed in the June 30, 2008 quarterly report. Additionally, TCWIB provided technical assistance and training to service provider fiscal staff on proper allocation; TCWIB also provided a copy of the new service provider invoice that requires service providers to report expenditures by core, intensive, and training services.

**State Conclusion:** Based on TCWIB's response, we cannot resolve this issue at this time. Although TCWIB provided CRD a copy of its revised service provider invoice and stated that it re-allocated expenditures to reflect activities performed, TCWIB did not provide documentation demonstrating the re-allocation of the expenditures. We recommend that TCWIB provide CRD documentation that demonstrates the re-allocation of expenditures to reflect the activities performed. Until then, this finding remains open and is assigned CATS number 80178.

#### FINDING 6

**Requirement:** OMB A-87, Attachment A(C)(1)(j) states, in part, that for a cost to be allowable, it must be adequately documented.

29 CFR Subpart C, Section 97.20(b)(6) states, in part, that accounting records must be supported by such source documentation as cancelled checks, paid bills, payroll, time and attendance records, contract and subgrant award documents, etc.

**Observation:** We found that training evaluation documents used by TCWIB staff to justify training payments did not include the signatures of TCWIB staff, instructors, and/or students; these training evaluations verify the student's attendance and successful progress in the training program.

Specifically, TCWIB paid the College of Sequoias \$39,517 for 44 participants enrolled in nursing programs between August 13, 2007 and September 22, 2007. The back-up documentation for these payments includes a Classroom Training Curriculum Competencies Evaluation for each participant. The Evaluation includes verification of the student's attendance and progress

through the signature of the instructor(s), student, and case manager. However, none of the Evaluations included the case manager's signature and eleven did not include the instructor(s) or student signatures.

**Recommendation:** We recommended that TCWIB provide documentation justifying the payment made to the College of the Sequoias. Additionally, we recommended that TCWIB provide CRD with a CAP, including a timeline, to ensure that, in the future, TCWIB receives adequate documentation, with appropriate signatures, prior to making payment.

**TCWIB Response:** The TCWIB stated that it had adequate documentation for the payment of the College of Sequoias (COS) invoice; the agency/vendor clause at the bottom of the invoices states "I certify that the cost billed for students listed on this invoice represents actual costs incurred and does not duplicate other funds i.e. federal or state, ADA, that may be available for the general student population for the same or similar training." The invoice was signed by the CalWORKs/WIA director. However, based on recommendations, TCWIB met with its school vendors to develop a new invoice form. The revised invoice form and its documentation reflect student progress and provide source documentation for payment.

In an e-mail sent September 30, 2008, TCWIB stated that there is a section at the bottom of the invoice titled "Agency/Vendor Approval". It states "I certify that the cost billed for students listed on this invoice represents actual cost incurred and does not duplicate other funds...that may be available for the general student population for the same or similar training. I further certify that I understand that these charges are subject to verification by the PIC (predecessor to TCWIB) or Auditors dispatched by the PIC for purpose of such a verification." This statement provides assurance by the Vendor that these costs are valid costs. This is part of the invoice and thus we accept it as primary source documentation. At the time (of the review), the evaluations were considered secondary source documentation. Since this time, TCWIB has updated the process and individual student evaluations are no longer required.

**State Conclusion:** Based on TCWIB's response, we cannot resolve this issue at this time. We recommend that TCWIB provide CRD a copy of the new invoice form and the documentation that will be used to reflect student progress and provide source documentation for

payment in lieu of the student evaluation documents. Until then, this finding remains open and is assigned CATS number 80179.

### **FINDING 7**

#### **Requirement:**

29 CFR 97, Subpart C, Section 97.20(b)(7) states, in part, that procedures to minimizing the time elapsing between the transfer of funds and disbursement by grantees and subgrantees must be followed whenever advance payment procedures are used. Grantees must establish reasonable procedures to ensure the receipt of reports on subgrantees cash balances and cash disbursements in sufficient time to enable them to prepare complete and accurate cash transactions reports to the awarding agency. Grantees must monitor cash draw downs by their subgrantees to assure that they conform substantially to the same standards of timing and amount as apply to advances to the grantee.

20 CFR 667.200(a)(7) states, in part, that interest income earned on funds received under WIA must be included as program income.

WIAD04-14 states, in part, that all subrecipients must monitor their cash draws to ensure that their account does not reflect an "excess cash" balance. Excess cash is defined as any amount that has not been shown as disbursed within three or four working days.

#### **Observation:**

We found that TCWIB provides its service provider, CSET, with monthly cash advances that result in excess cash. The TCWIB requires CSET to submit a Request for Cash Advance (RCA) form which includes the following: (1) cash advances received to date, (2) cash disbursed to date, (3) cash advance balance, (4) estimated cash need, and (5) cash requested.

We reviewed CSET's RCAs for its adult, dislocated worker and youth program for the period of August 2007 to April 2008. During that period the cumulative cash advance balance for the previous month, for all three programs, ranged from approximately \$23,000 (September 2007) to \$124,000 (January 2008) indicating that TWIB had provided CSET with cash advances although CSET had substantial excess cash from the previous months cash advance. Additionally, TCWIB stated that

CSET does not maintain these advances in an interest bearing account nor does CSET report any interest income to TCWIB.

**Recommendation:** We recommended that TCWIB provide CRD with a CAP to ensure that, in the future, any advances provided to its subrecipients does not result in excess cash, that subrecipients receiving cash advances maintain those advances in an interest bearing account, and that any resulting program income is reported.

**TCWIB Response:** The TCWIB stated that it provided technical assistance and counseling to its subrecipient, CSET, and that processes have been implemented to ensure that "advance" requests from any service provider are scrutinized for excess cash.

**State Conclusion:** Based on TCWIB's response, we cannot resolve this issue at this time. Although TCWIB stated that it implemented processes to ensure that subrecipient advance requests do not result in excess cash, TCWIB did not provide details of those processes. We recommend that TCWIB provide CRD details regarding the processes that have been implemented to ensure subrecipient cash advances do not result in excess cash. Until then, this finding remains open and is assigned CATS number 80180.

## **FINDING 8**

**Requirement:** 29 CFR 97.26, states in part, that local governments that provide Federal funds to a subgrantee shall ensure that appropriate corrective action is taken within six months after receipt of the audit report in instance of noncompliance with Federal laws and regulations.

OMB Circular A-133 Subpart E Section .510 states, in part, that the auditor's report shall include a schedule of findings and questioned costs.

29 CFR 96.53 states, in part, that the process of audit resolution includes an initial determination, an informal resolution period, and a final determination.

29 CFR 96.54 states, in part, that recipients of Federal assistance are responsible for ensuring that subrecipient

organizations are audited and any audit findings are resolved in accordance with this part.

WIAD05-16 states, in part, that revised audit requirements specified in OMB Circular A-133 require nonfederal entities that expend a total amount of federal awards equal to or in excess of \$500,000 to have either a single audit or a program-specific audit. Nonfederal entities that expend federal awards under more than one federal program must have a single audit.

**Observation:**

We reviewed the single audit for TCWIB subrecipient, Tulare County Office of Education (TCOE), and found two administrative findings that could affect WIA funds; however, TCWIB did not initiate audit resolution procedures. Specifically, the TCOE audit contained Finding 06-01, Significant Deficiency in Internal Control – Accounts Receivable/Local Revenue and Finding 06-04 Significant Deficiency in Internal Control – Journal Entries; both findings are considered systemic.

Additionally, we reviewed the audit for TCWIB's subrecipient Able Industries and found that the audit did not contain a questioned costs section. The TCWIB staff stated that Able Industries did not expend \$500,000 or more in federal funds and therefore, was not required to provide a complete audit. The TCWIB did not provide documentation from Able Industries supporting this statement.

**Recommendation:**

We recommended that TCWIB initiate the audit resolution process and issue an Initial Determination letter to its subrecipient, TCOE. Additionally, we recommended that TCWIB provide CRD with documentation demonstrating that Able Industries did not expend \$500,000 or more in Federal funds or submit an audit that includes a questioned costs section.

**TCWIB Response:**

The TCWIB provided CRD copies of the corrective action TCOE provided in response to the audit finding identified above. Additionally, TCWIB provided CRD a copy of a letter from Able Industries stating that Able Industries did not expend \$500,000 or more in Federal funds and therefore was not required to submit an audit.

**State Conclusion:**

Based on TCWIB's response, we cannot resolve this issue at this time. Although, TCWIB provided a copy of the corrective action

plan submitted by TCOE, TCWIB did not provide documentation indicating that the CAP was acceptable. We recommend that TCWIB provide CRD the results of its review of TCOE's CAP. Until then, this finding remains open and is assigned CATS number 80181.

## **PROCUREMENT REVIEW RESULTS**

While we concluded that, overall, TCWIB is meeting applicable WIA requirements concerning procurement, we noted an instance of noncompliance in the area of small purchases. The finding that we identified in this area, our recommendation, and TCWIB's proposed resolution of the finding is specified below.

### **FINDING 9**

**Requirement:** 29 CFR 97.36(d) states, in part, if small purchase procedures are used, price or rate quotations shall be obtained from an adequate number of qualified sources.

WIAD00-2 states, in part, that each procurement must be documented and examples of acceptable documentation for small purchases include sales receipts, current catalogs with price lists, or formal quotes depending on the amount of the purchase.

**Observation:** We found that two of TCWIB's small purchases files did not include an adequate number of price or rate quotations. Specifically, we reviewed two small purchases, a \$256 WIB lunch and a \$990 WIB retreat, that did not include any quotes or documentation of price/cost analysis.

We reviewed TCWIB's Procurement Policies and Procedures and found that for purchases from \$0 to \$5,000, TCWIB only requires one price quote.

We found similar issues in PYs 2003-04 and 2004-05.

**Recommendation:** We recommended that TCWIB provide CRD with a CAP to ensure that, in the future, they receive and document an adequate number of price quotes for small purchases. In addition, we recommended that TCWIB update its Procurement Policies and Procedures and provide CRD with a copy.



**TCWIB Response:** The TCWIB stated that its procurement policies state that for small purchases between \$0 and \$5,000 only one verbal quote or price is required.

**State Conclusion:** Based on TCWIB's response, we cannot resolve this issue at this time. The TCWIB's response does not address the Federal requirement to obtain an adequate number of price quotes for the procurements identified above. We, again, recommend that TCWIB provide CRD with a CAP to ensure that, in the future, they receive and document an adequate number of price quotes for small purchases. In addition, we recommend that TCWIB update its Procurement Policies and Procedures and provide CRD with a copy. Until then, this finding remains open and is assigned CATS number 80182.

We provide you up to 20 working days after receipt of this report to submit to the Compliance Review Division your response to this report. Because we faxed a copy of this report to your office on the date indicated above, we request your response no later than December 12, 2008. Please submit your response to the following address:

Compliance Monitoring Section  
Compliance Review Division  
722 Capitol Mall, MIC 22M  
P.O. Box 826880  
Sacramento, CA 94280-0001

In addition to mailing your response, you may also FAX it to the Compliance Monitoring Section at (916) 654-6096.

Because the methodology for our monitoring review included sample testing, this report is not a comprehensive assessment of all of the areas included in our review. It is TCWIB's responsibility to ensure that its systems, programs, and related activities comply with the WIA grant program, Federal and State regulations, and applicable State directives. Therefore, any deficiencies identified in subsequent reviews, such as an audit, would remain TCWIB's responsibility.

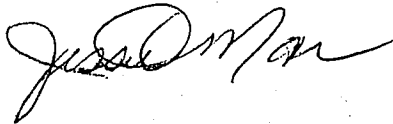
Mr. Adam Peck

-18-

November 12, 2008

Please extend our appreciation to your staff for their cooperation and assistance during our review. If you have any questions regarding this report or the review that was conducted, please contact me at (916) 653-7541 or Ms. Mechelle Hayes at (916) 654-7005.

Sincerely,

A handwritten signature in cursive script, appearing to read "Jessie Mar".

JESSIE MAR, Chief  
Compliance Monitoring Section  
Compliance Review Division

cc: Jose Luis Marquez, MIC 50  
Don Migge, MIC 50  
Daniel Patterson, MIC 45  
Lydia Rios, MIC 50